

Hearing Date: March 7, 2018

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,
Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS
(Jointly Administered)

**RESERVATION OF RIGHTS OF ASSURED GUARANTY CORP. AND ASSURED
GUARANTY MUNICIPAL CORP. WITH RESPECT TO PRELIMINARY OBJECTION
OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO MOTION OF PBA
FUNDS FOR PAYMENT OF RENT**

Assured Guaranty Corp. (“AGC”) and Assured Guaranty Municipal Corp. (“AGM”, and together with AGC, “Assured”) respectfully submit this Reservation of Rights with respect to the *Preliminary Objection of Official Committee of Unsecured Creditors to Motion of PBA Funds for Payment of Rent Dated February 13, 2018* [ECF No. 2586]. In support of its Reservation of Rights, Assured states as follows:

Assured insures bonds (the “PBA Bonds”) issued by the Puerto Rico Buildings Authority (the “PBA”).

On February 13, 2018, certain investment funds claiming to hold PBA Bonds (collectively, the “PBA Funds”) filed their *Motion of the PBA Funds for the Payment of Rent*

¹ The Debtors in these Title III cases, along with each Debtor’s respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (“Commonwealth”) (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

(ECF No. 2492, the “Motion”), which asked the Court, among other things, to enter an order pursuant to section 365(d)(3) of the Bankruptcy Code directing the Debtors to (a) satisfy all outstanding postpetition rental obligations of the Debtors arising under leases with the PBA (collectively, the “PBA Leases”) and (b) timely perform all such obligations going forward until the Debtors assume or reject the PBA Leases. See Motion ¶ 27.

On February 23, 2018, the Official Committee of Unsecured Creditors (the “Committee”) filed a preliminary objection (ECF No. 2586, the “Preliminary Objection”) to the Motion. The Committee suggests in the Preliminary Objection that the Committee may at some point attempt to allege that the PBA Bonds may not have been issued in compliance with Puerto Rico’s constitutional debt limit, and that the Committee may further allege at some point that the PBA Bonds are therefore invalid. See Preliminary Objection ¶ 5. The Committee has requested that, in the event the Court does not dispose of the Motion on other grounds, the Court should “defer consideration of the Motion until the underlying issues in connection with the validity of the PBA Bonds and the [PBA Leases] have been resolved.” Preliminary Objection ¶ 31.

The Preliminary Objection makes no substantive arguments and presents no evidence that could support a theory that the PBA Bonds are subject to the constitutional debt limit, and the Committee itself acknowledges that the debt limit issue is not ripe for adjudication. Therefore, there is no basis for the Court to address the debt limit issue in connection with the pending Motion.

However, in the event the Committee or another party were to attempt to challenge the validity of the PBA Bonds at some point in the future, whether in connection with the Motion or otherwise, Assured reserves its right to be heard in connection with any such challenge to the validity of the PBA Bonds and in connection with any other issues related to the application of the debt limit.

Dated: San Juan, Puerto Rico
March 5, 2018

CASELLAS ALCOVER & BURGOS P.S.C.

CADWALADER, WICKERSHAM & TAFT LLP

By: /s/ Heriberto Burgos Pérez

Heriberto Burgos Pérez
USDC-PR 204809
Ricardo F. Casellas-Sánchez
USDC-PR 203114
Diana Pérez-Seda
USDC-PR 232014
P.O. Box 364924
San Juan, PR 00936-4924
Telephone: (787) 756-1400
Facsimile: (787) 756-1401
Email: hburgos@cabprlaw.com
rcasellas@cabprlaw.com
dperez@cabprlaw.com

*Attorneys for Assured Guaranty Corp. and
Assured Guaranty Municipal Corp.*

By: /s/ Mark C. Ellenberg

Howard R. Hawkins, Jr.*
Mark C. Ellenberg*
Ellen M. Halstead*
Thomas J. Curtin*
Casey J. Servais*
200 Liberty Street
New York, NY 10281
Telephone: (212) 504-6000
Facsimile: (212) 406-6666
Email: howard.hawkins@cwt.com
mark.ellenberg@cwt.com
ellen.halstead@cwt.com
thomas.curtin@cwt.com
casey.servais@cwt.com

* Admitted *pro hac vice*

*Attorneys for Assured Guaranty Corp. and
Assured Guaranty Municipal Corp.*

CERTIFICATE OF SERVICE

I hereby certify that I filed this document electronically with the Clerk of the Court using the CM/ECF System, which will send notification of such filing to all parties of record in the captioned case. Further, I directed that the following counsel of record to be served by U.S. Mail:

Office of the United States Trustee for Region 21
Edificio Ochoa
500 Tanca Street, Suite 301
San Juan, PR 00901-1922

John J. Rapisardi, Esq.
O'Melveny & Myers LLP
7 Times Square
New York, New York 10036

Martin J. Bienenstock, Esq.
Proskauer Rose LLP
Eleven Times Square
New York, New York 10036-8299

Nancy A. Mitchell, Esq.
Greenberg Traurig LLP
200 Park Avenue
New York, New York 10166

Luc A. Despins, Esq.
Paul Hastings LLP
200 Park Avenue
New York, New York 10166

Robert Gordon, Esq.
Jenner & Block LLP
919 Third Avenue
New York, New York 10022

Gerardo J. Portela Franco
Puerto Rico Fiscal Agency and Financial
Advisory Authority (AAFAF)
De Diego Ave. Stop 22
San Juan, Puerto Rico 00907

Andrés W. López, Esq.
Law Offices of Andrés W. López
902 Fernández Juncos Ave.
San Juan, PR 00907

Hermann D. Bauer, Esq.
O'Neill & Borges LLC
250 Muñoz Rivera Ave., Suite 800
San Juan, PR 00918-1813

Arturo Diaz-Angueira, Esq.
Cancio, Nadal, Rivera & Diaz, P.S.C.
403 Muñoz Rivera Ave.
San Juan (Hato Rey), PR 00918-3345

Juan. J. Casillas Ayala
Casillas, Santiago & Torres LLC
El Caribe Office Building
53 Palmeras Street, Suite 1601
San Juan, PR 00901-2419

A.J. Bennazar-Zequeira
Bennazar, Garcia & Milian, C.S.P.
Edificio Union Plaza PH-A piso 18 Avenida
Ponce de Leon #416
Hato Rey, PR 00918

At San Juan, Puerto Rico, this fifth day of March, 2018.

By: /s/ Heriberto Burgos Pérez
Heriberto Burgos Pérez
USDC-PR 204809